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Bimetallic money.

Ed.2.

BI-METALLIC MONEY:

BY

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A PAPER

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PREFACE TO SECOND EDITION.

The present is considered a favourable time to issue a second edition of this Pamphlet. The sitting of the Monetary Conference at Paris has caused increased attention to be directed to this important subject, and it is believed that a decided change of opinion is taking place in the higher financial regions of London which may produce important consequences ere long. The writer would specially call attention to the admirable pamphlet recently issued by Henry Hucks Gibbs, Esq. one of our delegates to the Conference of 1878. None has yet appeared better fitted to popularise this somewhat abstruse question in England.

It is to be hoped that the Conference now sitting will not be permitted to break up without a serious attempt to settle this question on an international basis. It may be safely predicted that if it proves abortive, a time of serious monetary disturbance will have to be encountered by all commercial nations.

LIVERPOOL, *June*, 1881.

BI-METALLIC MONEY.

Among the various questions which appertain to the province of International Law, none appear to me of greater importance than those relating to Money. The intercourse of nations depends as much upon sound monetary laws as upon anything else within the domain of legislation. If uniform standards of weight and measure are to be aimed at, much more are uniform standards of value. If common principles of commercial law are to be sought after, much more should a common agreement in reference to the medium of exchange, whereby all operations of trade are carried on, and by which all international balances have to be settled.

Monetary questions have hitherto been shirked, in consequence of their supposed complexity. The science of Money is the least known of all the branches of Political Economy, and so many crude theories have been propounded with regard to the currency, that practical men for the most part shun the question; yet, I make bold to say, that the subject now brought before this Conference is second in practical importance to none. Neither is it to be confounded for a moment with those crude theories to which I have referred.

The principle of bi-metallism has now been accepted by a large number of the most acute intellects. It is rapidly making converts in all parts of Europe and America, and the time seems to be not far distant when everywhere, out of England, it will command the assent of the best monetary authorities. It is surely, then, desirable that strong efforts should be made to enlighten the British public on the merits of this question, so that the ultimate decision, when it is taken, may be with full knowledge of all the facts of the case.

The proposition which we venture to recommend is briefly this. "It is highly desirable that both Gold and Silver should be used by the world at large as full valued money, and that, to accomplish this end, an international agreement should be made to coin, without restriction, both metals alike, and use them as full legal tender at a fixed ratio to each other."

It is not easy to keep this question free from a crowd of irrelevant details, with which it is encumbered in public discussion; nor is it easy to know how far one should recapitulate facts well known to all who have studied the question.

Perhaps I shall best serve the purpose I have in view by referring as briefly as possible to the existing state of monetary law throughout the world, with a glance at its past history, and thus prepare the way for the considera-tion of its future prospects.

Gold and Silver from the earliest times have constituted the money of the world—at least in all countries removed by one degree from primitive barbarism. Their natural qualities eminently fit them for that purpose—their rarity, their comparative steadiness of value, their divisibility, their extraordinary durability—in short they have all the chemical, as well as monetary, qualities that fit them for this use, and are as obviously the gift of Providence to serve the purpose of money, as coal is to serve for fuel, or iron for human handicrafts. The universal instinct of man has grasped the use of the precious metals from the earliest ages, and no substitutes have ever been found which are in the least degree likely to supersede them.

Up to the present century Silver was the leading metal, and discharged the principal monetary functions over most of the world; the value of the aggregate of Silver much exceeded that of the aggregate of Gold; in many countries it was the sole standard of value, while in few was Gold the sole standard. Monetary science was very little understood even in the last century, but as commercial intercourse grew, the need of scientific arrangements was increasingly felt, and attempts were made to adjust the relative values of the metals, and to lay down sound principles of coinage.

In the earlier periods of the world the coin was so frequently debased by unprincipled governments, and the intercourse of nations was so small, that there is little to be learned from studying their currency laws, and the starting point for our enquiry may fittingly be taken at the time when Sir Isaac Newton, as Master of the Mint, in 1717, presented a report on the relative value of the metals, and recommended a bi-metallic system, based upon a ratio of 15·21 of Silver to 1 of Gold, and that became theoretically the law of England during most of last century; but as the Silver coinage was very much clipt and worn, Gold was preferred as the medium of exchange, though it remained open to any one, by coining Silver of full weight at the Mint, to discharge his debts in that metal at the ratio fixed in the beginning of the century.

Throughout the rest of Europe Silver remained the chief medium of exchange, and the ratio between the metals was remarkably steady, during last century, at about 15 of Silver to 1 of Gold.

About the beginning of this century scientific reasoning was for the first time applied in good earnest to monetary questions. France, which has always been distinguished for clear thinking and luminous exposition in matters of finance, decided, in 1803, after careful examination, in favor of using both Gold and Silver as full legal tender at the ratio of 15½ to 1, and allowed either metal to be coined without restriction at her Mint. England, on the other hand, at the conclusion of her great war, during which she had suspended specie payments, decided in 1816 upon resuming in Gold alone, only using Silver as a token or inferior currency, not to be legal tender beyond 40s. Had she been happy enough to have adopted the wise system of France, we should not this day have been investigating the causes of the divorce that has taken place between the metals, and trying to apply a remedy.

In 1821 the English law came into effect, and Great Britain since then has been a Gold mono-metallic country. But France persevered in her bi-metallism, and it answered so well, and her whole financial system was so solid and trustworthy, that a group of States joined her in 1865, called the Latin Union, and French ideas largely spread over Europe. The other great powers, though mainly Silver using countries, practically adopted the French ratio whenever they made use of Gold. The United States was also, in theory, bi-metallic all this century, until it resumed specie payments a year or two ago; its ratio, however, was unwisely fixed at 16 of Silver to 1 of Gold, and the necessary consequence was that Silver left America, where it was undervalued, and went to France, where it was more highly valued. India, on the other hand, which had within this century gradually come under British rule, was constituted by us a country of Silver money, and Gold coins, which used to circulate freely under the native princes, were virtually demonetized.

Now the great fact to which I wish to call your attention is this. The French ratio of $15\frac{1}{2}$ to 1 was sufficient of itself to give practical fixity to the relative value of the metals for about three quarters of a century, that is to say, till France and the Latin Union restricted the coinage of Silver, 1873-4, under dread of the demonetized metal of Germany.

The exhaustive discussions that have taken place on this question have convinced me that all the attempts of our opponents to prove that this fixity of relative value was caused by the respective yield of the metals from the mines, or by demand for commercial purposes (that is to say by the ordinary action of supply and demand), are utter failures, and do not touch the fringe of the subject. They remind one of nothing so much as the hopeless attempts of the ancient astronomers to explain the movements of the heavenly bodies, on the theory that the Earth was the centre of the Universe.

When English commercial minds for the first time approach the consideration of this subject, they are sure to split upon the rock of what I may call Free Trade ideas—that is to say, they import the language of the market into a region where it is meaningless, and get hopelessly adrift upon false analogies. It is like a naturalist, who only understands the laws of living organisms, attempting by means of them to unravel the science of chemistry; or the chemist, who only understands dead matter, attempting to explain the phenomena of life. Monetary science has laws of its own, quite distinct from those which apply to the common operations of trade, and they must be mastered in some degree before any intelligent discussion can take place.

Now anyone who carefully examines the respective production of Gold and Silver during this century, and the great changes that have at various times occurred in the cost of producing one metal as compared with the other, will perceive that this wonderful fixity of relative value must have arisen from some all powerful cause quite apart from what is vulgarly called "supply and demand;"

he will see that the ratio of 15½ to 1 existed during a long period, when Silver was annually produced to three or four times the value of Gold, and during another long period when Gold was annually produced to three or four times the value of Silver. It was equally unaffected by the great increase in the cost of producing Silver during the Civil Wars in South America, which closed the richest Silver mines, and the extraordinary decrease in the cost of producing Gold, when the rich mines of Australia and Calfornia were first discovered. It was equally unaffected by the entire cessation of the great Eastern demand for Silver, which happened once or twice in the earlier part of the century, or by the extraordinary demand which set in during the time of the Cotton Famine. Neither was it affected by the vast displacements of specie that occurred in many countries—such as the United States of America, Italy, Austria &c. caused by war, or national bankruptcy, when inconvertible paper expelled metallic money. It may be asserted, in brief, that every possible convulsion occurred in the monetary world during the first three quarters of this century, and yet the tie between Gold and Silver was not broken. So long as the French Mint was open to coin either of them to an unlimited extent, and as full legal tender, it mattered not whether the yield of Gold was two millions a year or thirty millions; whether that of Silver was six or sixteen millions; whether the miners in Australia were extracting Gold at a cost of £1 per ounce, or in Nevada were producing Silver at 1s 6d per ounce; the relation between the metals was practically fixed and stable at 15½ to 1, with small variations in the

London market very rarely exceeding $15\frac{3}{4}$ to 1 on one side, or $15\frac{1}{4}$ to 1 on the other, and these small oscillations were traceable to causes that can easily be explained.

Now those who ignore the equilibrating effect of the French ratio ought to be able to explain why, when Silver was produced three times as plentifully as Gold, it did not fall heavily in relative value; why, when Gold was produced three times as plentifully as Silver, it did not fall correspondingly; why, when a prodigious demand existed for Silver for the East, it did not sensibly raise the value of that metal; why, when that demand was extinct, it did not fall in value, and so forth—if those theories which attribute all fluctuations in value to pure commercial laws, such as those which regulate the value of cotton and calico, be true, we should then see forty ounces of Silver at one time exchanging for one ounce of Gold, and four of Silver for one of Gold at another time; the two metals would have varied far more than copper and tin, or lead and iron, for the fluctuations in their relative yield have been unexampled.

Our opponents, however, will reply, that another natural law interposes to prevent these excessive fluctuations of value, and that is their extraordinary durability. Most of the Silver and Gold produced since the time of Abraham must be in existence somewhere; consequently any great fluctuations in annual yield affect but little the value of this great mass. I readily grant this is true, but it does not invalidate the argument I have already deduced, it only modifies it. Even the whole stock of each metal has undergone great changes during this century. Speaking roughly, the quantity of Silver money in the world in 1848 was estimated at 600 millions sterling, against 400 millions of Gold, while in 1870 the proportion had altered to 650 millions of Silver against 750 millions of Gold, that is, the one metal had increased nearly 90 per cent in quantity against 10 per cent in the other. These changes were the result of the discoveries of the Californian and Australian mines, which were most fertile from 1850 to 1870, when Silver was sparingly produced, yet the relative value of the metals remained practically unchanged. The simple explanation is that the bi-metallic system of France and the Latin Union enabled the greater part of the Gold to be coined, and if need be exchanged for Silver at the old ratio, so that sellers of Gold who wished to buy Silver would not, anywhere in the world, give one ounce of Gold for 13 or 14 of Silver, when by sending it to France they could get 15½.

It may be safely predicted, that, had France and the Latin Union refused to coin Gold after 1850, as they refused to coin Silver after 1872, we should have seen the same phenomenon on a greater scale than we have witnessed of late years—only Gold would have been the depreciated metal and Silver the enhanced one, and we should have been listening to the same arguments we are familiar with now, viz. that Gold was falling in obedience to great natural laws, and that Silver was rising; that it was vain to complain of those laws which were inexorable, and that no human legislation could withstand them. Our economists would have pointed to the mines of

Australia and California, and said, "who can resist this torrent of thirty millions a year of Gold ; is it likely that Silver, which only gives eight millions a year, will remain at the same ratio to Gold as in the old times when the yield of the two metals was nearly the same—Silver must inevitably rise and Gold fall—all our text books of political economy say so, all our authorities prove this to demonstration ?" But it so happens, unfortunately for our opponents, that none of these events happened. France had the courage to stick to her system, the large addition of Gold took place, and was diffused gradually through the world without breaking the tie that bound it to Silver ; the Gold using countries and the Silver using countries found no inconvenience arising from a change in the relative value of the metals; debts that had been contracted in Silver countries, payable to Gold countries, were defrayed at practically the same rate of exchange they were contracted at—there was no dislocation of commerce, such as has occurred of late years ; no fraud on creditors by paying what was practically 16s in the pound on the one side, or it may be obtaining 24s in the pound on the other. This fixity in value was an inconceivable gain to the commerce of the world, because it enabled the countries that had spare capital to lend it to those that had not, without the fear of a partial repudiation of debts from a change in the standard of value. But for this fixity the Indian railway system could hardly have been made, nor a vast number of reproductive works carried out in Europe and America—the beneficial flow of capital from countries having a Gold currency, to countries having a Silver currency, went on undisturbed from 1850 to 1870, as it did from 1800 to 1850. Capitalists in this country never inquired why this fixity of value existed—it had been substantially so for nearly two centuries, and it was supposed to be an ordinance of nature; no one in those days understood that it was the result of the French bi-metallic system. As I have observed elsewhere, we were like a man who never had suffered from dyspepsia, and hardly knew he had a stomach, and who first acquired a knowledge of that organ from a severe fit of indigestion. The British public took for granted that Gold and Silver must somehow be worth intrinsically as 1 to $15\frac{1}{2}$, in other words that Silver naturally fetched about 5s an ounce, and it is only the experience of the last few years that has disabused them of this notion.

We have now reached the point at which we may formulate the following conclusions.

In spite of enormous changes in the relative production of the precious metals, and in the commercial demand for them, France succeeded, by her bi-metallic system, in preserving a practical equilibrium between them for seventy years; and, to a less extent, the same result was reached during the previous century by more imperfect machinery. And further, the painful dislocation which has taken place in the last few years is in no sense the result of ordinary commercial laws, but purely caused by changes in monetary legislation, and more especially by the closing of the mints of France and the Latin Union to the free coinage of Silver since 1872.

We go so far as to assert that had the bi-metallic countries of Europe ventured to face the consequences of German demonetization, the thirty or forty millions of Silver thus thrown on the market would have disappeared as easily as the five hundred, or six hundred, millions of Gold produced between 1850 and 1870. It was not merely the fear of the German Silver that caused the change of policy by France, there was political rivalry as well, and there was the antecedent diffusion of Gold mono-metallic doctrine by Chevalier and his followers, both in France and Germany, urged on by a school of doctrinaires in this country, who imagined that it would be for the good of the world to have a single Gold standard universally adopted. No one had the foresight to perceive the evil that would follow from attempting to expel one of the two factors of which money was composed—the scientific theorists were all on the side of Gold, and there was a widely diffused opinion on the Continent that the prosperity of England was, in some way, due to her single Gold standard. Nations like individuals follow leaders, and as England, the chief commercial country, had given a factitious honour to Gold, her neighbours and rivals only waited for a chance to imitate her. The French indemnity gave Germany that chance, and, had the war gone the other way, France would most likely have done what Germany did; but, as that was impossible, the next best thing was to thwart Germany by refusing to coin her Silver, and so compelling her to sell at a heavy loss. There is no doubt that nations can, to a wonderful extent, injure each other by bad monetary laws, and as the whole world is smarting under the effect of this at present, and is at last awake to the evils of divorcing Gold from Silver, the time seems opportune to attempt an alliance between the metals on a broader and sounder basis than has ever existed before.

Now the scheme which we advocate is this—that the leading Monetary Powers, which are four, viz. the British Empire (including India and the Colonies), France, the United States, and Germany, should come to an agreement to coin both Gold and Silver, without restriction, at a fixed ratio, and make them severally, or jointly, full legal tender for all debts. These four Powers comprise all the important specie paying countries in the world; they probably hold among them three-fourths of all the Gold and Silver in the world, and they own all the principal mines. It can be shown by a mathematical demonstration that the ratio adopted by them must rule everywhere else throughout the world. It is a perfect delusion to suppose that either metal could be cheap or dear under such an arrangement, and that the under-valued metal would leave this monetary union of Powers, and seek some undiscovered region where it was more highly prized.

The rest of the world is nearly all composed of poor countries, that are debtors to the rich ones which form our suggested union. They have no power of taking specie to any extent, and the little they require can be easily furnished from the annual produce of the mines. Probably China is the only country outside this union that absorbs any quantity of specie, and she takes Silver perhaps to the extent of one-third, or one-fourth, the annual produce of the mines. India, which is the largest absorbent of Silver, would, under our proposed arrangement, take either metal, according to the taste of the people, and according to the convenience of merchants.

The exchange between London and Calcutta would, under this system, be as steady as the exchange between London and Melbourne is now, and those harassing fluctuations would be put an end to. The world would then have, virtually, identical money, and capital could flow from the bi-metallic countries to the poorer Silver using countries without fear of virtual repudiation at some future date. Banks and merchants could give credits and push commerce with safety, knowing that the money in which they would be repaid had a fixed relationship to what they used at home. Those slight oscillations in the value of Silver measured by Gold, which existed till 1872, could not exist now, for they were rendered possible only by the limited area of French bi-metallism, and the excessive strain to which it was subjected by the mono-metallic countries round about, and chiefly by England, which at one time needed vast amounts of Silver to send to the East, at other times needed no Silver, but took large amounts of Gold. Very much is made by our opponents of the fact that French bi-metallism did not produce absolute fixity of ratio between the metals in the London market, and that slight premiums had sometimes to be paid on Silver. These trifling variations, it may be observed, were spread slowly over many years, and resulted from France standing nearly alone; but now we often see as violent changes in a week as then happened in a year, and probably the fluctuations in each one year since 1872 have been nearly as numerous and as great as in the whole seventy years preceding, and, if we mistake not, will continue on the same scale in the future till some plan akin to ours is adopted.

The chief objections urged to our scheme are three-fold:—

1. That Silver is not so suitable as Gold for the commerce of rich nations.
2. That future discoveries may be made of either Gold or Silver mines so rich as to upset the ratio agreed upon.
3. That we are debasing the currency.

As to the first objection we would reply that it would be perfectly valid if payments could only be made in solid metal; if wagon loads of Silver had to be carried about no doubt the inconvenience would be excessive, and this difficulty would have prevented any scientific scheme of bi-metallism being adopted in the rude ages before banking facilities were known, but in all civilized countries now the transfer of coin has almost ceased for large payments, and the London Clearing House, which settles over 100 millions sterling weekly, with a mere handful of coin, is a sample more or less of the business of all civilised countries. Metallic money is in fact only wanted as a reserve in the coffers of banks to secure the convertible paper issued on the strength of it, and the only effect of our scheme, so far as England is concerned, would be that the Bank of England would hold Silver, as well as Gold, and issue notes thereon; the pound sterling would in future represent a fixed weight of either Gold or Silver instead of a fixed weight of Gold alone; it would resemble the franc in France, which represents a certain weight of Gold, or $15\frac{1}{2}$ times its weight of Silver. It could easily be provided that tenders of Silver, as between man and man, should be limited to small sums, and indeed it might be desirable to apply the same limitation to Gold, for tenders of 1000 or 2000 sovereigns are by no means convenient payments to the receiver. The Bank of England, or the other issuing banks, should, however, be bound to pay all their notes in specie when required, and the specie might either be alternative Gold or Silver, as is the case with the Bank of France at present, or a joint tender of both metals.

These questions are merely matters of detail which monetary experts can settle, and only require to be glanced at in a brief paper like this.

The second objection is—that future discoveries may be made of either Gold or Silver mines so rich as to upset any ratio of value that may be agreed upon.

We reply, that there is no likelihood of any discoveries being made more rich than those of Australia and California, which suddenly increased the annual yield of Gold four or fivefold, and yet did not disturb the ratio fixed by the French bi-metallic system. This present century has witnessed the widest divergences in the yield of the metals probably known in the history of the world. According to Ernest Seyd, the most careful statist in this country, the weight of either metal annually produced was 50 of Silver to 1 of Gold at the beginning of this century; while in 1850 to 1860 it was $4\frac{1}{3}$ of Silver to 1 of Gold—yet the ratio of $15\frac{1}{2}$ to 1 held good during both of these periods. We have no expectation that the system will be exposed to a greater strain in the future—it is very unlikely it will be exposed to an equal strain. Providence seems to have so ordered it that discoveries of Gold and Silver are made alternately, so that the metals are complementary, and make between them a more stable medium than either of them separately. If Silver were universally demonetized, Gold would fluctuate far more in buying power than the two metals would do jointly; indeed, if one metal alone were to be selected, Silver would be the more suitable, as its average annual yield has varied much less than that of Gold in past ages. We think it better, however, to follow the indications traced out by nature, and accept both metals, as mankind have always done since the world began, with that universal instinct which is usually the surest and safest basis for scientific theorising.

We believe that the difficulty which men feel about fixing a ratio between the metals arises mainly from not perceiving that monetary law is a necessary factor in determining the value of either metal. Gold and Silver derive their value, mainly, from their use as money; probably five-sixths of the annual produce of the mines are employed for that purpose, and they cannot be used for money where legislation forbids it. If all the world passed such laws as England and Germany have done, Silver would be almost valueless. At least five hundred millions sterling of that metal, now circulating as full legal tender, would be expelled, and, as not a hundredth part of it would be wanted for plate or ornaments, it would have to be degraded to some mechanical use, where it would compete with iron and steel, and be sold by the ton instead of the ounce. The same would happen in a less degree to Gold; we say in a less degree because the quantity being small and the metal having great natural beauty, it would be capable of being used in the arts, though at a much lower value than it now holds. It is safe, however, to predict that the universal demonetization of Gold would lower its value by one half, more probably by three quarters, reducing it to one quarter of what it is worth now. These of course are only theories, but are fitted to bring out clearly the essential part that human law plays in respect to the value of the metals, whereas all other commodities derive their value from a natural demand apart from law. Money may be said to be, in a certain sense, the creation of law, though it is equally true that all wise laws will conform to the outlines traced by nature, and avoid as far as possible the appearance of mere caprice. Hence, though we believe it is possible for the leading monetary Powers to adopt almost any ratio they like, and make it the law of the world, yet it is manifestly wiser to be governed by the history of the past, and no ratio can be adopted that seems more just to all interests than the French $15\frac{1}{2}$.

It comes very close to what has been the ratio for two centuries, and international trade is almost the creation of the last two centuries, and nearly all the national debts, now estimated at 4000 millions sterling, have been contracted during that period, some of them being in countries having Silver for their money, some in countries having Gold. Much of the debts of Silver countries was borrowed from the Gold countries, and payment accepted in Silver because it was believed to be equivalent to a fixed weight of Gold. In the same way a vast amount of loans and mortgages were entered into based on the same supposed fixity, and surely it is most just to the holders of those bonds, both national and private, to fix the basis of payment at the same figure it was entered into. Nothing has occurred in the last few years to make it unjust, or inexpedient, to resort to the practice of the past two hundred years, or more particularly to the excellent scientific arrangement of the first seventy years of this century, when probably nine tenths of these international engagements were entered into. There is nothing alarming in the present yield of Silver; it is steadily falling off, and is now probably less than 14 millions annually, against 18 or 19 millions of Gold, and what is this when compared with a yield of 30 millions of Gold against 8 or 10 of Silver, which we had for many years, without it being necessary to change the ratio of the metals in favour of a higher valuation of Silver. Besides, the total stock of metallic money in the world at the present time is supposed to be about 800 millions of Gold, against 700 millions of Silver, calculated at 1 to 15½.

They are more nearly balanced than in the early part of this century, when Gold was put at 400 millions against 600 millions of Silver. In whatever way we look at this matter, justice, prescription, and common sense unite in recommending the ratio that has so long, and so beneficially, prevailed.

These considerations make it easy to answer the third objection, that "we are debasing the currency."

Our opponents urge that objection on the ground that as Silver now exchanges against Gold at the ratio of say 18 or 19 to 1, we would, by force of law, make it exchange at $15\frac{1}{2}$ to 1, thus artificially raising Silver and correspondingly lowering Gold. The argument is very specious at first sight, and would have force in it if the fall of Silver had arisen from natural causes, but as we have already shewn, human legislation alone has caused the fall, and, therefore, human legislation can and ought to undo the mischief. No one who has studied the subject can doubt that if Germany and France had preserved the system they had in force up till 1872, we should never have heard of the fall in the value of Silver. We should have heard nothing of the Nevada mines, at least so far as the price of the metal was concerned. Gold and Silver would have remained practically a unit, so far as purchasing power went, and it would have been a matter of indifference whether the one metal or the other was yielded more plentifully, seeing that the value of the metallic medium depended on the joint supply of both metals, and not of either singly. Surely it cannot be wrong for legislation to restore that harmony which legislation foolishly disturbed ; surely it is no fraud to place debtors and creditors in the same relation to each other they held till 1872. The real injustice has all been committed in the last few years. Since that date every man who had a fixed income, payable in Gold, has had it artificially enhanced from causes that he could never have calculated upon. Every man who had a fixed income, payable in Silver, has had it diminished from causes on which he could never have calculated. Surely the holders of fixed incomes in Gold will not be so unjust as to persist in claiming more than their due in order that holders of Silver incomes may get less. No durable international arrangement could ever be made in order to benefit one class at the expense of another; there must be an honest desire to give all their due, and to build upon principles of undoubted equity, otherwise the edifice is sure to tumble down.

But, English objectors will add, why should the English pound sterling be debased, or lowered in purchasing power, because Germany and France have made changes in their currency laws? We reply that the effect of those laws was, artificially, to enhance the value of the pound sterling, and we ask you to consent to its being placed where it stood before, because in no other way can a reform be carried out which is of incalculable value to the world at large.

But some superficial observers may say, "The pound sterling has never been changed since specie payments were resumed in 1821; the Silver legislation on the Continent cannot have affected it, for it has always represented a fixed weight of pure Gold (say 113 grains) from that day to this." We reply, the English pound sterling was as much affected by the value of Silver up to 1872 as if England had been bi-metallic. The Gold of England felt the competition of the Silver of the Continent just as keenly as if Silver had circulated equally with Gold in this country. The exchangeable value of the metals in Paris was practically the exchangeable value in London, in Calcutta, in New York, everywhere. The more Silver France coined the less Gold she needed, and the more Gold was available for England and other countries. The arteries of circulation in France carried a certain amount of metallic money; when most of that was Silver, more Gold was available for other countries; when little of that was Silver, more Gold was needed for France, and less was available for the rest of the world. The buying power of English Gold was as much affected by the Silver that was coined and circulated on the Continent as the value of English wheat is affected by a deficient, or abundant, crop of cereals in France or America. It is nonsense to assert that the English Gold standard was unaffected by monetary changes on the Continent. There cannot be a doubt that the purchasing power of Gold has been artificially enhanced by the expulsion of Silver from its function of money over a portion of the Continent, and if that foolish policy were to prevail so far as to lead to the universal expulsion of Silver, the buying power of Gold would be nearly doubled. No doubt this policy would apparently benefit for a time that small class of capitalists whose income is paid in a fixed weight of

Gold; they would be, seemingly, benefited at the expense of the mass of the nation. We say seemingly, for great wrongs bring retribution sooner or later. The dreadful dislocation of industry thus brought about, and the suffering of the masses, would most probably lead to violent remedies, such as all friends of peaceful progress would deplore. No true interest of mankind is ever conserved by injustice, and there is no kind of injustice that more keenly affects the industrial classes than artificial changes in the standard of value, by which all debts are measured, and all contracts settled. We allege, without fear of contradiction, that the depreciation of Silver, brought about by bad laws, has artificially enhanced the value of Gold, and that justice demands the restoration of both metals to the relationship they held until a few years ago. We do not say debase the British currency, but prevent its artificial enhancement, and correlate it with the entire metallic currency of the world as it used to be—revert to the old arrangement which practically existed since the world began, viz. use all the produce of the mines, both Gold and Silver, as full valued money, that is as full legal tender for the discharge of debts. Why cut off one of the two great sources of metallic money, or why throw our influence in that direction? It virtually turns upon England, whether the process of Silver demonetization, now commenced, goes on with ever increasing mischief, or is arrested permanently. Surely her wisest policy is to aid, to the fullest extent, the utilisation of all the money that nature gives us. Nature is no blind guide; there are proofs of unerring wisdom in all her arrangements, and when she supplies us with two metals to serve as money, it surely is the height of folly to throw one of them overboard.

But then the question arises, what chance is there of getting a great monetary union, and what likelihood of its being preserved, if obtained? We reply that all turns upon the attitude of this country. We know that the delegates from the United States to the Paris Conference last year were charged with a scheme of general bi-metallism; it is beyond dispute that the American people believe in that system, and strenuously urge its adoption, but they will not adopt it single handed; their best authorities concur in urging delay till the Powers of Europe meet them half way. Many English writers dispose of the well known preference of America by the sneer that, as they own the chief Silver Mines, they naturally wish to reinstate Silver. The proper answer is that the United States produce equal values of Gold and Silver, and whatever the Silver miners gain the Gold miners lose, but as many of the mines produce both metals blended together even that slight opposition of interest disappears. Besides, it is only trifling with the question to make it depend upon fancied gain or losses to the miners—a most insignificant fraction of the human race, and not to be weighed against the obvious needs of the population of the world.

We next come to France—it is superfluous to say that that country, which still holds about 100 millions sterling of Silver, circulating as full legal tender alongside of Gold at the ratio of $15\frac{1}{2}$ to 1, would be too glad to have its value restored to the same level outside of France, so as to remove the danger of having at some future time to demonetize this great mass in order to have a currency in full harmony with the countries around it. France, the home of the bi-metallic system, would be too glad to have it re-established on broader and deeper foundations, so as to be able to reopen her Mints to the unrestricted coinage of Silver as in olden times; nor would she be deterred from that task by the imaginary fears of the holders of her 200 millions of Gold that they would thereby lose in purchasing power more than was gained by the 100 millions of Silver.

Germany is the most doubtful of our supposed monetary allies—she has suffered severely in carrying out her Gold policy, but there is good reason to believe that she has learned prudence from experience, and would not be averse to a scheme which would save her from demonetizing the great mass of Silver Thalers still in circulation, as full legal tender, at the old ratio of $15\frac{1}{2}$ to 1. Germany is in fact at present bi-metallic within her frontier, just as France is, but, like France, she has ceased to coin full valued Silver—it would obviously be to her interest to be bi-metallic if France and England were—the German people are more accustomed to, and prefer, Silver to Gold—they are large holders of Austrian Silver securities, and the nation at large would be a great gainer by rehabilitating that metal which is the sole standard of the great nations which are conterminous with half its frontier. Germany lies between bi-metallic France on one side, and Silver using Russia and Austria on the other—by becoming bi-metallic she would correlate her currency with all her neighbours, to the great advantage of her trade. There is no doubt that she was led into her present course mainly by the example of England, and the national repentance of this country could not fail to have a powerful effect on her erring sister.

The fact is, the real crux of the situation lies here in England—our real difficulty is to convert the British Nation, especially the monied and influential classes. We have to shew them how vitally they are affected by the dislocation of the two metals; how terribly our far reaching commerce suffers; what a barrier is now interposed to the flow of capital into the poorer Silver using countries of the world with which most of our trade is carried on; how, in fact, Great Britain, as the great trader of the world, is by far the greatest sufferer. We have specially to urge upon them that England, as the Mistress of India, is interested in Silver beyond any other country on the globe. The finances of that great Empire are all based upon Silver, and the accumulated savings of 200 millions of Hindoos are mostly invested in Silver. No one can tell what a mass of Silver exists in that country, which has been the chief receptacle of the stream that flowed from Europe for hundreds of years. It is not improbable that India holds 200 millions sterling in the shape of coin, besides a still larger amount in the shape of bullion and ornaments, and surely a policy that would restore its former value to that mass of money, and bring it into a fixed relationship to the Gold of England, would be at once wise and generous. The British Empire, take it all round, is much the largest holder of Silver in the world; its stake in that metal is double its stake in Gold, and were the seat of Empire at Delhi, instead of London, there can be little doubt what the decision would be—if the greatest good of the greatest number is to be the motto of Government there can be no doubt what the decision should be. Surely it is not too much to ask that the capitalists of this country, a mere fraction of the population, should view this question in its world wide significance, and submit to any little inconvenience that may be needful in carrying out a scheme of vital importance to mankind at large.

But lastly, it will be urged that if the proposed compact be made between the four chief monetary Powers it will be broken on the first outbreak of war. We reply, most improbable—each country in the group has a vital interest in conserving the system, and would hurt herself far more than any other in breaking away from it. If perchance one of them, under stress of war, had to suspend specie payments for a time, as the United States did during its civil war, the bi-metallic system would not be impaired. America virtually parted with her specie between 1861 and 1865, but it did not produce any effect on the bi-metallism of Europe, which was then limited to the Latin Union. Any State which had, temporarily, to suspend specie payments would undoubtedly resume in what would then be the world's money—not to speak of being under solemn covenant to do so. There are interests too vital to all civilised nations to be sacrificed, even in times of war and panic. Neither France nor Germany thought of repudiating the bonds held by the other side during their late struggle. Russia did not confiscate that large part of her debt held in England during the Crimean war, nor did our Parliament think of confiscating Russian interests in this country. With each advance of civilisation there is an increase of the interests deemed too sacred to be infringed, and we see no reason to doubt that an international agreement to coin and use the two metals as the money of civilisation would take its place among the inviolable covenants which national quarrels could not disturb, reposing as it would do on the sure foundation of man's universal well being.

APPENDIX A.

Table showing Ratio between Silver and Gold, also Supply of Silver and Gold, and proportion of Gold to Silver.

Date.	Ratio.	Supply. Gold. Millions. £	Supply. Silver. Millions. £	Proportion Gold to Silver 1 to
1801—1810	15·61	2·6	7·7	3·00
1811—1820	15·15	1·6	3·6	2·30
1821—1830	15·80			
1831—1840	15·67	—	—	—
1841—1850	15·83	—	—	—
1842—1846	—	10·1	8·7	0·86
1847—1851	—	15·0	8·1	0·54
1851	15·46	—	—	—
1852	15·57	29·0	8·1	0·28
1853	15.33	29·0	8·1	0·28
1854	15·33	29·0	8·1	0·28
1855	15·36	29·0	8·1	0·28
1856	15·33	29·0	8·1	0·28
1857	15·27	25·4	8·2	0·32
1858	15·36	25·4	8·2	0·32
1859	15·21	25·4	8·2	0·32
1860	15·30	25·4	8·2	0·32
1861	15·47	25·4	8·2	0·32
1862	15·36	24·8	10·1	0·39
1863	15·38	24·8	10·1	0·39
1864	15·40	24·8	10·1	0·39
1865	15·33	24·8	10·1	0·39
1866	15·44	24·8	10·1	0·39
1867	15·57	24·6	10·6	0·43
1868	15·60	24·6	10·6	0·43
1869	15·60	24·6	10·6	0·43
1870	15·60	24·6	10·6	0·43
1871	15·59	24·6	10·6	0·43
1872	15·63	22·3	14·0	0·62
1873	15·90	22·3	14·0	0·62
1874	16·15	22·3	14·0	0·62
1875	16·76	22·3	14·0	0·62
1876	17·68	22·3	14·0	0·62
1877	17·22	22·8	15·6	0·69
1878	17·92	22·8	15·6	0·69

The extreme points of variation in the ratio of value between Gold and Silver during the last three years were as follows, viz:—

1876—Highest......20·17; lowest......16.62.
1877—Highest ......17·58; lowest......16·84.
1878—Highest......19·00; lowest......17·14.

ROBERT BARCLAY.

MANCHESTER, 29TH MARCH, 1879.

APPENDIX B.

REPORT OF THE SPECIAL COMMITTEE

On the state of trade in connection with the discrediting of Silver as money, appointed by the Council of THE INCORPORATED CHAMBER OF COMMERCE OF LIVERPOOL, on the 24th February, 1879, under the following resolution:—

"That the question as to remedial measures for the continued mercantile and manufacturing distress, as being largely caused and intensified by the discrediting of Silver as money, be referred for consideration to a Special Committee, with power to add to their number, and to report."

Presented to the Council, and adopted, on Tuesday, the 25th March, 1879.

To the President and Council of the Incorporated Chamber of Commerce of Liverpool.

Gentlemen,

Your Special Committee, appointed by the Council on the 24th February last, to consider if any, and what, remedial measures might be taken for the amelioration of the present Mercantile and Manufacturing Distress, in so far as it may be caused and intensified by the discrediting of Silver as money, have now to submit the following

REPORT.

In the discharge of the duties devolving upon them, your

Committee have throughout been impressed by a deep sense of the important nature of the investigations confided to them.

In presence of the extremely depressed state of trade, and of the long continuance of the depression, the Committee considered it their first duty to arrive at the truth regarding the adverse influence which the recent demonetization of Silver in Europe is alleged to be exercising over trade and commerce throughout the world.

They, therefore, determined to prosecute their enquiries under separate branches; and they took as the first branch of enquiry—

I.—THE EFFECTS OF THE DISCREDITING OF SILVER ON OUR COMMERCE AND INDUSTRIES.

After full deliberation and discussion, the following conclusions were unanimously arrived at:—

1st. That the recent shrinkage in value of the world's Silver money, measured in Gold, is very large, and there is every reason to fear that, with the prospect before us, the depreciation will continue to increase.

2nd. That there has besides been much diminution in the value of investments of English capital in the public funds, railways, &c. of Silver-using countries.

3rd. That we are now compelled to look upon the Silver of the world as in large measure cut off from its previous sphere of usefulness as one of the two agents for the liquidation of international indebtedness.

4th. That the serious diminution of the world's money, caused by the disuse of Silver, may, in the future, lead to frequent panics, through the inadequate supply of Gold for the world's wants.

5th. That the uncertainty regarding the course of exchanges, in the future, largely prevents the further investment of English capital in the public funds of Silver-using countries, or in railways, industrial enterprises, and commercial credits.

6th. That the friction and harassment now attending business with Silver-using countries, as India, China, Java, Austria, Chile, Mexico and others, naturally lead merchants to curtail their operations in the export of our manufactured goods, and to restrict the employment of English capital in such business.

7th. That this is a most serious question for India, which many believe to be so impoverished as not to be able to bear increased taxation.

8th. That the depreciation of Silver seriously affects the power of Silver-using States to purchase English manufactures, and leads to increased taxation, thus further curtailing the trade which has hitherto been carried on in English commodities.

Having arrived at conclusions so serious, bearing so directly on the present mercantile distress, your Committee next resolved to take into consideration:—

II.—THE MAIN FACTS REGARDING THE PRODUCTION OF THE TWO PRECIOUS METALS DURING THE PRESENT CENTURY.

And they arrived at the following conclusions thereon:—

1st. That early in the present century the supply of Silver from the mines of the world greatly predominated, being in the proportion of about 3 of Silver to 1 of Gold.

2nd. That, on the other hand, from the year 1848, and for 20 years thereafter, the supply of Gold greatly augmented, and largely exceeded that of Silver.

3rd. That during recent years the supply of Gold has fallen off very much, viz: from about £33,000,000 in 1852 to £19,000,000 per annum at the present time, while the supply of Silver has augmented considerably.

4th. That, at the present time, however, the supply of Silver does not equal that of Gold, the yield being about £14,000,000 of Silver to less than £19,000,000 of Gold.

Your Committee, consequently, became impressed with the conviction that the recent fall in the price of Silver cannot be attributed to excessive production. After further mature deliberation, they adopted the following resolution:—

That the recent great fall in the price of Silver is principally to be attributed to the suspension of its free mintage in France, and the States of the Latin Union, consequent upon the adverse action of Germany in demonetising Silver.

To this Resolution there was one dissentient.

At this stage of their enquiry it seemed to be incumbent on your Committee to ascertain, and put on record, their conclusions as to the means by which Silver had, for so long a period previous to the year 1875, been kept, with very unimportant oscillations, in such a relation to Gold as to make it possible to speak of a par of exchange between the two metals; and the following Resolution was adopted by them as expressing the result of their deliberations under this head:

That the bi-metallic system of France and the other States of the Latin Union, in conjunction with free mintage, prior to 1875, tended to produce an equilibrium between the two metals, and to give stability to all exchanges between Silver-using countries and England.

Your Committee having thus arrived at clear and strong convictions as to the magnitude of the evil, and the serious consequences to our commerce and industries, resulting from the discrediting of Silver by the nations of Europe; having ascertained also what they believe to be the real cause which has brought about the discrediting of Silver as money; and having recognised the beneficial action of the French bi-metallic system so long as it was in operation, they then proceeded to the consideration of the last, but most important, branch of this enquiry, namely:—

III.—WHAT REMEDIAL MEASURES OUGHT NOW TO BE ADOPTED SO THAT SILVER MAY AGAIN PERFORM, INTERNATIONALLY, ITS PROPER FUNCTION AS MONEY.

The following Resolutions contain the result of their deliberations under this head, and it is especially to these, in their important bearing on the present state of this monetary question, and to their effect on Indian finance, and on the trade of England, that the Committee desire to call the attention of the Council:—

1st. That a fixed ratio between Gold and Silver, in conjunction with unlimited freedom of mintage, and the recognition of the two metals as full legal tender money, would, if adopted by the majority of the leading monetary powers, including England and India, be adequate to restore Silver to its former international value as money.

2nd. That it is desirable that our Government should adopt measures for securing an International Agreement, by which Silver may be restored to its legitimate share in providing metallic currency sufficient for the wants of the world.

In order to give practical effect to their conclusions, your Committee unanimously recommend that the result of their investigations, together with the resolutions adopted, shall, without loss of time, be placed in the hands of Her Majesty's Ministers.

Your Committee would, in conclusion, refer to the fact that nearly all the Members of your Special Committee attended the meetings with regularity, and were deeply impressed with a sense of the great importance of this enquiry. They desire also to place on record the almost absolute unanimity with which resolutions so weighty have been adopted. At the commencement of their investigations much aversion was manifested against adopting conclusions which so directly impugn the wisdom of our monetary legislation of 1816, by which Gold was made sole legal tender money in England.

If the free mintage system of France had not been suspended, and if monetary legislation on the Continent of Europe had not been made, like our own, directly adverse to the use of Silver as money in the world, your Committee would not have been called on to consider the wisdom, or unwisdom of our own position. The necessity of the case, however, has compelled us to face the question in all its bearings. Natural antipathy and aversion have yielded to conviction, and your Committee would here mention the fact that several of their number who at the outset were disinclined to the remedial measures which were ultimately recommended, became at last their warmest supporters. Your Committee are aware that the remedy proposed is not generally believed to be in harmony with the opinions which have, for many years, prevailed in England. They are persuaded, however, that if thoughtful men throughout the country will deliberately, and without prejudice, consider the whole question, connected as it is with the long-continued mercantile and manufacturing distress, their conclusions will eventually come to be, in most instances, in consonance with those of your Committee.

STEPHEN WILLIAMSON, *Chairman,*
and Vice-President of the Chamber.

LIVERPOOL, 21*st* *March,* 1879.